

Union Bank Reports Profit Growth Despite Net Interest Income Dip



State-owned Union Bank of India announced a 12% increase in its net profit for the first quarter of the current financial year (Q1FY26), reaching ₹4,116 crore. The robust profit growth, reported on Saturday, July 19, 2025, was primarily attributed to a significant reduction in loan loss provisions and an improvement in asset quality, even as the bank navigated a challenging environment marked by a 3% decline in Net Interest Income (NII).

The Mumbai-based lender's net profit of ₹4,116 crore for the quarter ended June 30, 2025, compares favorably to the ₹3,679 crore recorded in the same quarter of the previous fiscal year (Q1FY25). This positive bottom-line performance was largely driven by a substantial 30% reduction in provisions for non-performing assets (NPAs), which fell to ₹1,153 crore from ₹1,651 crore a year ago.

Despite the rise in net profit, the bank's Net Interest Income (NII), a key measure of profitability representing the difference between interest earned and interest expended, saw a 3% year-on-year decline, coming in at ₹9,113 crore compared to ₹9,412 crore in Q1FY25. This dip in NII, along with an 11% drop in operating profit to ₹6,909 crore, was noted by analysts and bank executives as a reflection of the rapid transmission of policy rate cuts on the lending side, while deposit repricing lags. Union Bank officials indicated that close to 90% of their loan book is on floating rates, leading to an almost immediate pass-through of rate changes on the asset side, contrasting with the slower repricing of deposits.

However, the bank showcased significant improvement in its asset quality. Gross Non-Performing Assets (NPAs) as a percentage of gross advances declined to 3.52% at the end

of June 2025, a notable improvement from 4.54% a year prior. Similarly, net NPAs also decreased to 0.62% from 0.90% in the corresponding period. The Provision Coverage Ratio (PCR) further strengthened to 94.65%, up from 93.49%, indicating a healthier financial position for absorbing potential losses.

Total income for the bank rose to ₹31,791 crore in Q1FY26 from ₹30,874 crore in the year-ago period. Gross advances grew by 6.83% to ₹9,74,489 crore, and total business increased by 5% to ₹22,14,422 crore. The bank's capital adequacy ratio also improved to 18.3% from 17.02% in Q1FY25, reflecting a strong capital base.

Union Bank's Q1FY26 results highlight a strategic focus on improving asset quality and controlling provisions, which has effectively cushioned the impact of a narrowing Net Interest Margin. As the banking sector navigates fluctuating interest rate cycles, the bank's ability to maintain a healthy bottom line despite NII pressure will be a key metric to watch in the coming quarters.